



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 14, 2009

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **AMANECER COMMUNITY COUNSELING SERVICES CONTRACT
REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AND MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal review of Amanecer Community Counseling Services (Amanecer or Agency), to determine the Agency's compliance with two County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

Background

Under the DCFS' Wraparound Program, Amanecer provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, Amanecer provides mental health services, which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the First District.

DCFS paid Amanecer on a fee-for-service basis at \$4,184 per child a month less placement costs or approximately \$642,000 and \$744,000 for Fiscal Years (FY) 2007-08 and 2008-09, respectively. DMH paid Amanecer on a cost reimbursement basis between \$1.47 and \$3.51 per minute of staff time (\$88.20 to \$210.60 per hour) or approximately \$6.2 million and \$6.3 million for FYs 2007-08 and 2008-09, respectively.

Purpose/Methodology

The purpose of our program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts and personnel and payroll records. We also interviewed Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether Amanecer appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

DMH and Wraparound Fiscal Review

Amanecer's expenditures were properly documented and accurately billed to DMH and DCFS. In addition, the Agency maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

At the end of each DCFS Wraparound Program year, the Agency is allowed to retain unspent funds up to ten percent of their program expenditures for future Wraparound Program use and return any funds in excess of ten percent to the County. For the program year ending April 30, 2008, Amanecer's unspent Wraparound funds totaled \$58,328 and program expenditures totaled \$513,778. As a result, Amanecer is allowed to reserve \$51,378 (10% of \$513,778) for future Wraparound use and is required to return the \$6,950 (\$58,328 - \$51,378) in excess funds to DCFS as required by the County contract.

DMH Program Review

Amanecer staff assigned to the DMH Program possessed the required qualifications. However, the Agency did not always comply with the County contract requirements. Specifically, Amanecer:

- Billed DMH \$694 for non-mental health services.
- Did not complete some elements of the participants' Assessments and Progress Notes in accordance with the County contract.

The details of our review along with recommendations for correction action are attached.

Review of Report

We discussed the results of our review with Amanecer, DMH and DCFS. In their attached response, the Agency concurred with our recommendations and agreed to reserve the \$51,378 and repay \$7,644 (\$6,950 of unspent funds + \$694 of non-mental health services) to DCFS and DMH.

We thank Amanecer management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Patricia S. Ploehn, Director, Department of Children and Family Services
Ted Myers, Chief Deputy Director, Department of Children and Family Services
Susan Kerr, Senior Deputy Director, Department of Children and Family Services
Nilza Serrano, Board President, Amanecer
Timothy J. Ryder, Executive Director, Amanecer
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
AMANECER COMMUNITY COUNSELING SERVICES
FISCAL YEARS 2007-08 AND 2008-09**

BILLED SERVICES

Objective

Determine whether Amanecer Community Counseling Services (Amanecer or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 30 billings totaling 5,209 minutes from 164,131 service minutes of approved Medi-Cal billings for October and November 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 5,209 minutes represent services provided to 20 program participants.

Results

Amanecer billed DMH \$694 for unallowable services. Specifically, the Progress Notes for 365 (7%) of the 5,209 minutes sampled described recreational and socialization activities that were not mental health services. In addition, the Agency did not always complete the Assessments and Progress Notes in accordance with the County contract requirements.

Assessments

Amanecer did not adequately describe the symptoms and behaviors exhibited by the clients to support the Agency's clinical diagnosis for two (10%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires agencies to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorder and the criteria for diagnosing them.

Progress Notes

Amanecer did not complete four (13%) of the 30 Progress Notes sampled in accordance with the County contract. Specifically, the four Progress Notes billed for the mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

Recommendations

Amanecer management:

- 1. Repay DMH \$694.**
- 2. Ensure that service minutes billed are allowable mental health services in accordance with the County contract.**
- 3. Ensure that Assessments and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether Amanecer's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 21 (25%) of the 83 Amanecer treatment staff who provided services to DMH clients during October and November 2008.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Amanecer's Wraparound Approach Services (Wraparound) contract with the Department of Children and Family Services (DCFS) allows the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the unspent funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent are required to be returned to the County.

For the program year ending April 30, 2008, Amanecer's unspent Wraparound funds totaled \$58,328 and program expenditures totaled \$513,778. As a result, Amanecer is allowed to reserve \$51,378 (10% of \$513,778) for future Wraparound Program expenditures and is required to return the \$6,950 (\$58,328 - \$51,378) in excess funds to DCFS as required by the County contract.

Recommendations**Amanecer management:**

- 4. Reserve \$51,378 to ensure that the funds are used to provide Wraparound Program services in subsequent years.**
- 5. Repay DCFS \$6,950.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash and other liquid assets.

Verification

We interviewed Amanecer management and reviewed the Agency's financial records. We also reviewed two bank reconciliations for December 2008.

Results

Amanecer maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether Amanecer's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed their financial records.

Results

Amanecer's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

EXPENDITURES

Objective

Determine whether DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and documentation to support 22 Wraparound expenditures totaling \$26,989 and 24 DMH expenditures totaling \$80,490 between July 2007 and December 2008.

Results

Amanecer's expenditures were allowable, properly documented and accurately billed.

Recommendation

None.

FIXED ASSETS**Objective**

Determine whether fixed asset depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing. In addition, we reviewed three fixed assets with depreciation costs of \$9,839 that the Agency charged to the DMH and Wraparound Programs in Fiscal Year (FY) 2007-08.

Results

The Agency appropriately allocated the depreciation costs to the DMH and Wraparound Programs. However, Amanecer did not maintain a complete listing of fixed assets that includes serial numbers and source of funding. In addition, the Agency did not perform an annual inventory. Agency management indicated that the Agency is in process of updating the listing and implementing an annual inventory. This finding was also noted in our prior DMH and Wraparound monitoring reports.

Recommendation

6. **Amanecer management maintain a complete fixed asset listing and perform an annual physical inventory.**

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures for 19 employees totaling \$42,865 to the payroll records and time reports for the pay period ending December 15, 2008. We also interviewed eight employees and reviewed personnel files for the 19 employees.

Results

Amanecer's salaries were appropriately charged to the DMH and Wraparound Programs. In addition, the Agency maintained personnel files as required.

Recommendation

None.

COST REPORT

Objective

Determine whether Amanecer's FY 2007-08 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2007-08 Cost Report to the Agency's general ledger.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FYs 2004-05 and 2006-07 monitoring reviews were implemented. The DMH monitoring review report was issued on December 13, 2005 and the DCFS Wraparound monitoring report was issued on October 4, 2007.

Results**DMH Report**

The prior DMH monitoring report contained eight recommendations. Amanecer implemented five recommendations, did not implement one recommendation and three recommendations are no longer applicable.

DCFS Wraparound Report

Amanecer did not implement the one recommendation from the prior Wraparound report.

The outstanding recommendations from the DMH and Wraparound reports relate to recommendation 6 contained in this report.

Recommendation

Refer to Recommendation 6.



Amanecer
Community Counseling Services

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MEMBER OF
Association of Community
Human Service Agencies

October 21, 2009

Ms. Wendy L. Watanabe
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-3873

Dear Ms. Watanabe,

This letter is in response to your letter dated June 9, 2009 regarding Amanecer Community Counseling Services, Contract Review – A Department of Children and Family Services and Mental Health Service Provider. We are in general agreement with the findings. Please see our corrective action responses below:

- 1) Recommendation: Repay DMH \$694.
Corrective Action Plan: We concur with the finding and agree that DMH will be repaid the amount of \$694 which will be deducted from Amanecer's next check from DMH.
- 2) Recommendation: Ensure that services minutes billed are allowable mental health services in accordance with the County contract.
Corrective Action Plan: Our Coordinators and Directors will continue to review notes to determine if they are allowable and therefore billable. We have upgraded our Billing software from Caminar to Exym. We believe the enhanced features of Exym will assist supervisors in their review to determine if minutes billed are allowable.
- 3) Recommendation: Ensure that Assessments and Progress Notes are completed in accordance with the County contract.
Corrective Action Plan: The new Exym software requires supervisors to review and approve notes prior to billing and this will ensure that Assessments and Progress Notes are completed in accordance with the DSM handbook and County contract requirements.



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- 4) Recommendation: Reserve \$51,378 to ensure that the funds are used to provide Wraparound program services in subsequent years.
Corrective Action Plan: A separate reserve account was established on 6/26/2009 and fund's of \$51,378 was deposited for the Wraparound program to be used in subsequent years.
- 5) Recommendation: Repay DCFS \$6,950.
Corrective Action Plan: We concur with the finding and agree to repay DCFS \$6,950 which will be deducted from Amanecer's next check from DCFS.
- 6) Recommendation: Amanecer management maintain a complete fixed asset listing and perform an annual physical inventory.
Corrective Action Plan: We installed Spicework's software to enable us to track all fixed assets. We will be performing an annual physical inventory of our fixed assets for the Wraparound program by November 30, 2009.
- 7) Recommendation: Amanecer management implement the outstanding recommendation from prior monitoring report.
Corrective Action Plan:
-With regards to the DMH Monitoring Report of December 13, 2005, we implemented all the recommendations and that DMH has already deducted the \$2,621 that was owed them.

-With regards to DCFS Wraparound Monitoring Report of October 4, 2007, we refer back to our response for this current report under recommendation 6 that we installed Spicework's software to track fixed assets and will be performing a fixed asset inventory for the Wraparound program by November 30, 2009.

We would like to thank you and your staff for all your assistance expediting the review.

Sincerely,


Frank Chagualaf
Chief Financial Officer